

Message Text

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PAGE 01 PEKING 01480 220326Z
ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 AGRE-00 /091 W
-----074963 220336Z /63/13

R 190828Z MAY 78
FM USLO PEKING
TO SECSTATE WASHDC 0809
INFO AMCONSUL HONG KONG
AMEMBASSY TAIPEI

C O N F I D E N T I A L PEKING 1480

C O R R E C T E D C O P Y (TEXT GARBLED THROUGHOUT)

E.O. 11652: GDS
TAGS: EARL EFIN CH

SUBJ: PRC NATIONAL BUDGET

1) USLO HAS OBTAINED A READOUT FROM THE AUSTRALIAN
EMBASSY N AN EXTRAORDINARY DISCUSSION BETWEEN AUSTRALIAN
MINISTER OF COMMERCE AND INDUSTRY, PHILLIP LYNCH, AND
A VICE MINISTER OF THE MINISTRY OF FINANCE, WANG P'ING-
CH'EN, DURING LYNCH'S VISIT TO PEKING IN EARLY MAY.

2) IN ANSWER TO QUESTIONS, WANG STATED THAT DURIN THE
NEXT EIGHT YEARS 60 PERCENT OF THE NATIONAL BUDGET WILL
BE ALLOCATED TO ECONOMIC CONSTRUCTION IN INDUSTRY,
AGRICULTURE AND TRANSPORTATION. TEN PERCENT OF THE
BUDGET WILL GO TOWARD EDUCATION, CULTURE, PUBLIC
HEALTH AND SCIENCE. TWENTY PERCENT OF IT WILL BE
ALLOCATED TOWARD NATIONAL DEFENSE AND ADMINISTRATION.
THE REMAINING 10 PERCENT WILL BE SPENT IN UNSPECIFIED
WAYS.

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3) WANG STATED THAT 90 PERCENT OF STATE REFENUES
COME FROM TAXES ON AND PROFITS FROM STATE-RUN ENTERPRISES.
THE REMAINING 10 PERCENT COMES FROM AGRICULTURAL
TAX AND TAXES ON AND PROFITS FROM SMALL ENTERPRISES.
HE SAID THAT STATE REVENUES ARE PLANNED TO INCREASE
TEN PERCENT ANNUALLY DURING THE NEXT EIGHT YEARS AND THAT

THEY INCREASED 15 PERCENT LAST YEAR.

4) CURRENTLY, HE SAID, TWELVE PERCENT OF THE BUDGET
IS ALLOCATED TO FARMLAND CAPITAL CONSTRUCTION PROJECTS,
INCLUDING WATER CONTROL PROJECTS. ANOTHER 12 PERCENT
IS ALLOCATED TO FINANCING EXPANSION OF STATE-RUN
INDUSTRIAL ENTERPRISES. (NOTE: IT WAS INDICATED
THAT THIS ALLOCATION IS A GRANT TO THE ENTERPRISES;
ENTERPRISES MAY ALSO BORROW FROM THE PEOPLE'S BANK OF CHINA.)
WANG SAID THAT THE STATE HOPES TO INCREASE PROFITS
OF STATE-RUN ENTERPRISES BY INSTALLING MODERN EQUIPMENT
AND LOWERING PRODUCTION COSTS.
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Message Attributes

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Draft Date: 19 may 1978
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Disposition Case Number: n/a
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TAGS: EALR, EFIN, CH
To: STATE
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